



# AFIN708

## Corporate Finance

S2 Day 2015

*Dept of Applied Finance and Actuarial Studies*

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## General Information

Unit convenor and teaching staff

Unit Convenor

Narelle Gordon

[narelle.gordon@mq.edu.au](mailto:narelle.gordon@mq.edu.au)

Contact via [narelle.gordon@mq.edu.au](mailto:narelle.gordon@mq.edu.au)

By appointment via email

Lecturer

Peter Kavalamthara

[peter.kavalamthara@mq.edu.au](mailto:peter.kavalamthara@mq.edu.au)

By appointment via email

Credit points

4

Prerequisites

Admission to MRes

Corequisites

Co-badged status

Co-badged with AFIN808.

Unit description

The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional.

Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions
- To develop research skills in current topics in corporate finance

## General Assessment Information

Grading Policy: assessment in this unit is informed by the MQ Grading Policy.

Standardised Numerical Grade (SNG): a *Standardised Numerical Grade (SNG)* gives you an indication of how you have performed within the band for your descriptive grade. The SNG is not a mark, and you may not be able to work it out based on your raw examination and other assessment marks. Nor are you able to determine you are “one mark away” from a different grade.

Rubric: the *Essay* will be assessed against criterion and performance standards set out in a marking *Rubric*, which will be provided to students on the iLearn..

'Double Pass' Rule: to be eligible to pass this unit, a pass is required in the final examination.

Disruption to Study: if your disruption to study is deemed 'Serious and Unavoidable', and thus meets the criteria for Special Consideration set out in the Disruption to Studies Policy, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Otherwise, there will be no provision of an additional assessment task. For information, including results of disruption e.g. preparation affected' or 'examination performance affected', please refer to the Disruption to Studies Policy Outcomes and Supporting Evidence.

Viewing Within Session Assessment Task Marks: It is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

## Assessment Tasks

Name	Weighting	Due
<u>Essay</u>	15%	19th October, 2015. 1pm

Name	Weighting	Due
<u>Assessed Coursework</u>	10%	Random weeks
<u>Class Test</u>	20%	Week 7
<u>Final Exam</u>	55%	See Exam Timetable

## Essay

Due: **19th October, 2015. 1pm**

Weighting: **15%**

This is an individual assignment. Students will be asked to select one topic for research from a set of prescribed topics. The essay will require a detailed literature review. The word limit is 2500 words excluding the table of contents and bibliography. The essay will be submitted through Turnitin before the due date. It will be graded based on logical development of content and arguments, effective use of research evidence, strength of conclusions, clarity in writing and appropriate referencing.

Students who have not submitted the task prior to the deadline will incur a deduction of 20% for every 24-hour period (or part thereof) the lodgement is late, except for cases where an application for disruption to studies is made and approved. For example, for a submission that is 1 hour late, 3 marks will be deducted.

On successful completion you will be able to:

- To develop research skills in current topics in corporate finance

## Assessed Coursework

Due: **Random weeks**

Weighting: **10%**

Each collection is worth a maximum of 5%. There will be two random collections during the semester. To get full marks students need to add some insight to the standard solution. Students who copy the text-book solution word for word will receive 0 marks.

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved

On successful completion you will be able to:

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- To evaluate cost of capital of firms using alternative theories of risk-return relationships

- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions

## Class Test

Due: **Week 7**

Weighting: **20%**

The 60-minute "closed book" in-class test will be conducted in the week 7 class. Please present yourself at the enrolled time and place of your lecture. The test will contain both theoretical and calculation questions in the multiple choice format and it will help you to monitor your progress in accomplishing learning outcomes 1, 2 and 3. If you are unable to attend the test and your special consideration request is approved, a supplementary assessment task will be offered. The supplementary assessment task may involve a verbal or written component, or both.

On successful completion you will be able to:

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships

## Final Exam

Due: **See Exam Timetable**

Weighting: **55%**

The content of the "closed book" final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test). Total time available will be 120 minutes plus 10 minutes of 'reading' time.

Please note that a **Double Pass Rule** applies: **to be eligible to pass this unit, a pass is required in the final examination.**

In addition, make sure to read the current Final Examination Policy and Final Examination Procedure.

On successful completion you will be able to:

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships

- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions

## Delivery and Resources

### CLASSES

The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. There will be thirteen lectures. The timetable for classes can be found on the University website at:

<http://www.timetables.mq.edu.au/>

Attendance at seminars is a compulsory component of the Unit, and students are expected to attend all classes. If a student misses more than 2 classes then they could be given a written warning that non-attendance can lead to a Fail grade. Further absence at classes can trigger a recommendation of a Fail grade in the Unit.

### REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

#### Prescribed

Ross, Westerfield and Jaffe. Corporate Finance, 10th Edition, McGraw Hill Irwin.

The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

AFIN808-iLearn:

The unit Website is only available to students enrolled in AFIN808. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page:

Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191

FacetoFace: ITHelpDesk, C5C244

24/7Email:[help@mq.edu.au](mailto:help@mq.edu.au)

The Website will contain important unit materials, including:

- Course details — An outline of the unit, including assessment tasks
- Announcements—notices updating students on important matters regarding the unit.
- Assignment
- Suggested answers and solutions to homework questions
- Results — for assignment and other assessable material.

### LEARNING AND TEACHING ACTIVITIES

This is meant to be a 2<sup>nd</sup> unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to

work through the quantitative and other problems which are selected each week from the text. However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.

### TECHNOLOGY USED AND REQUIRED

The Text book provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using excel. Students are encouraged to use excel when attempting these exercises.

### CHANGES TO THE UNIT SINCE LAST SEMESTER

There are no major changes to the topics or text .

## Unit Schedule

Week	Week Beg	Topics	Ross et al. Chapters	Problems
1	Jul 27	Overview of corporate finance and valuation	1, 4, 5	See iLearn.
2	Aug 3	Project evaluation and project risk analysis	6, 7 (not sec. 7.3)	6-9,10,26,27; 7-8,9,12,20,21,25.
3	Aug 10	Alternative theories on risk and return	11,12	11-18,25; 12-3,5,9. & others see iLearn.
4	Aug 17	Capital structure and limits to use of debt	16, 17	16-9,14,15,23; 17-5,6,8 & other see iLearn.
5	Aug 24	Valuation and capital budgeting for levered firm	18	18-1,3,5,8,13,15,18.
6	Aug 31	Raising capital and dividend policy	19, 20	19-C2,C6,C13; 19-5,6,13; 20-2,9 & others see iLearn.
7	Sep 7	<b>IN-CLASS TEST</b> Private equity and corporate restructuring	29.13, BMA* 32	see iLearn
		<b>SEMESTER BREAK (14th SEP to 25th SEP)</b>		
8	Sep 28	Convertible bonds & warrants and lease finance	21, 24	24-7,9,11,12(mod); 21-9,10,13,14.
9	Oct 5	Corporate finance applications of options - I	22	22-5,15,16,32 & others see iLearn
10	Oct 12	Corporate finance applications of options - II	23 and JP Ch. 22**	23-C8,C9,4,5,7; JP Ch. 22*-13,15,16,22; BMA Ch 22-16(mod),17
11	Oct 19	Mergers, acquisitions and divestitures	29	29-7,10,11,12 & others see iLearn

12	Oct 26	Project & infrastructure financing	Reading on the iLearn	TBA
13	Nov 2	Revision		

\* BMA Ch. 32 - Brealey, Myers and Allen (2014), Principles of Corporate Finance, 11e, McGraw-Hill Irwin.

\*\*JP Ch. 22 – Jonathan Berk, Peter DeMarzo (2013), Corporate finance, 3e, Pearson Global Edition.

C - questions prefixed by 'C' refer to the concept questions at the end of the chapter

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy [http://mq.edu.au/policy/docs/grievance\\_management/policy.html](http://mq.edu.au/policy/docs/grievance_management/policy.html)

Disruption to Studies Policy [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html) *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).

### Supplementary Exams

Further information regarding supplementary exams, including dates, is available here

[http://www.businessandconomics.mq.edu.au/current\\_students/undergraduate/how\\_do\\_i/special\\_consideration](http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration)



## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

### Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

#### Learning outcomes

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions

## Assessment tasks

- Essay
- Assessed Coursework
- Class Test
- Final Exam

## PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

### Learning outcomes

- To apply investment and financing concepts to take decisions in business
- To evaluate project risks and financial viability of projects
- To evaluate cost of capital of firms using alternative theories of risk-return relationships
- To apply options methodology to value business opportunities and firms.
- To assess financial soundness of leasing proposals and corporate acquisitions
- To develop research skills in current topics in corporate finance

## Assessment tasks

- Essay
- Assessed Coursework
- Class Test
- Final Exam

## PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

### Learning outcome

- To develop research skills in current topics in corporate finance

## Assessment task

- Essay

## Research and Practice

### Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.
- This unit gives you an opportunity to learn software used in industry.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.

## Changes since First Published

Date	Description
10/07/2015	..
23/06/2015	..